

ROADMAP *to the* MONTANA COMEBACK

BUDGET FOR THE 2023 BIENNIUM

Governor Gianforte's ***Roadmap to the Montana Comeback***

- Key Objective: Create more good-paying jobs and protect our Montana way of life.
 - ***Get our economy going and Montanans back to work in good-paying jobs*** by encouraging entrepreneurship and reforming the tax code with broad-based and targeted decreases.
 - ***Change the way Helena does business*** by holding line on new spending through efficiencies, and creating a customer service culture.
 - ***Protect our families and communities*** by combating the drug epidemic.
 - ***Improve educational opportunities*** through trades education and training, and increased starting teacher pay.



Budget Highlights

- ***Preserves essential services*** and includes mandated spending and statutory increases.
- ***Holds the line on new spending***, with revenues limited by COVID-19.
 - Decreases general fund spending by \$100M and ongoing spending by \$50M over the biennium compared to previous administration's proposed budget.
 - Compared to the appropriated and authorized general fund budget for FY 21, spending growth per year averages 0.8%, compared to average anticipated inflation of 2.5%.



Budget Highlights

- ***Eliminates the previous administration's proposed \$25M transfer*** to the general fund from the Budget Stabilization Fund
- ***Provides \$50M*** in broad-based and targeted tax reductions
- ***Devotes \$23.6M per year*** to the HEART Fund for substance abuse prevention and treatment
- ***Includes \$2.5M*** in incentives to raise starting teacher pay



Budget Highlights

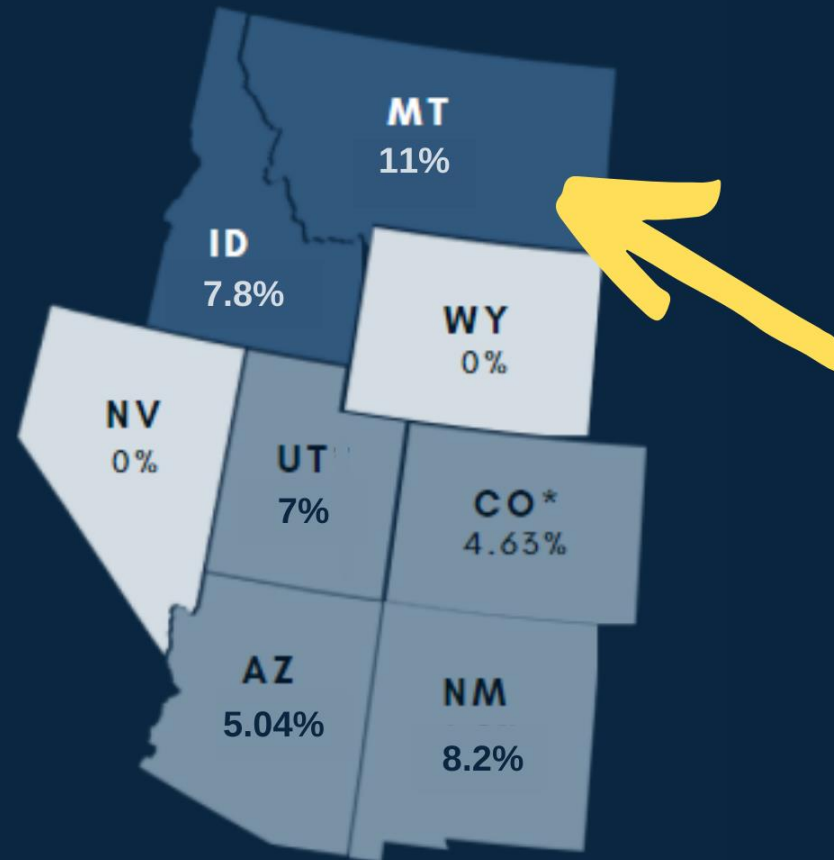
- *Has a strong ending fund balance*
 - Increases previous administration's ending fund balance of \$250M to over \$300M
 - Balance **exceeds statutory requirement** of \$107M, and statutory recommendation of \$223M
 - Ending Fund Balance, Budget Stabilization Reserves and Fire Funds **exceed \$450M**



**ATTRACTING
BUSINESSES
& their
HIGH-PAYING
JOBS TO
MONTANA**

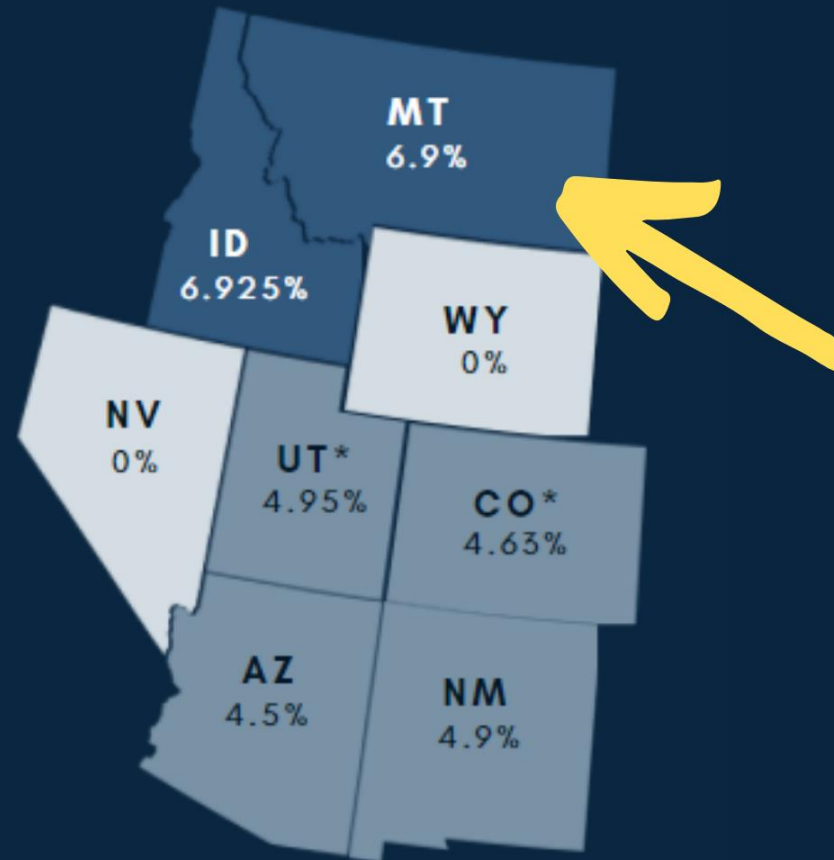


TOP INCOME TAX RATE IN 2003



(*) STATE HAS FLAT INCOME TAX.

TOP INCOME TAX RATE IN 2020



(*) STATE HAS FLAT INCOME TAX.

Making Montana's Income Tax Rate More Competitive

- ***Reduces the individual income tax rate*** from 6.9% to 6.75%, the same rate as the corporate license tax.
 - Applies to taxable income above \$18,500
- With future economic growth and spending efficiencies, ***Montana will continue to make its rate more competitive.***



Creating the Entrepreneur Magnet

- ***Incentivizes businesses to come to Montana and bring their jobs*** by exempting from capital gains tax the sale of employee-owned stock.
- With greater economic opportunities in Montana, our families and friends will stay here or return to enjoy our Montana way of life.



Modernizing the Corporate License Tax

- Montana currently apportions income from multistate corporations based on percentage of sales, payroll & property in MT compared to total sales, payroll & property.
- In recent years, 38 states have moved to a sales-only factor, and **only 5 states** still have the three-factor test.
- By modernizing to a sales-only factor, ***corporations will no longer be penalized for buying property & creating jobs in Montana.***
- This proposal raises \$10M and \$14M in FY 22 and FY 23, partially offsetting the personal income tax relief.



**HELPING
SMALL
BUSINESSES
THRIVE**



Relieving Small Businesses of the Burden of Business Equipment Tax

- The ***Business Investment Grows (BIG) Jobs Act*** exempts business equipment from \$100,000 to \$200,000.
- It ***relieves about 4,000 small businesses*** of the burden of valuing their equipment, filing, and paying business equipment tax.
- It also backfills local governments and schools for their lost revenue.



Investing in Trades Education and Training

- Montana needs carpenters, plumbers, electricians, welders, machinists, and pipe fitters.
- The **Montana Trades Education Credit (MTEC)** provides \$1M in tax credits for businesses for employee trades education and training.



PROVIDING
RELIEF *from*
PROPERTY
TAXES *to*
LOW-INCOME
MONTANANS



Providing Property Tax Relief to Low-Income Montanans

- Montanans' property values are increasing about 12% this appraisal cycle.
- To mitigate the effects of reappraisal on lower-income Montanans, Governor Gianforte's budget ***invests an additional \$3M/year in relief for Montanans with limited income***, including disabled veterans and seniors.
 - *Keep Your Home Tax Relief* provides a 25% increase in this type of relief.



PROTECTING OUR FAMILIES & COMMUNITIES



Combating the Drug Epidemic

- Montana faces a drug crisis that is ripping apart families and devastating our communities.
- The budget devotes \$23.6M to the Healing and Ending Addiction through Recovery and Treatment (HEART) Fund, to fund the ***full continuum of substance abuse prevention and treatment programs for our communities.***
 - Annually, \$6M of marijuana taxes and one-time, \$15.7M tobacco tax settlement proceeds will be transferred to the HEART Fund.
 - Those funds will receive a federal Medicaid match providing \$23.6m each year.

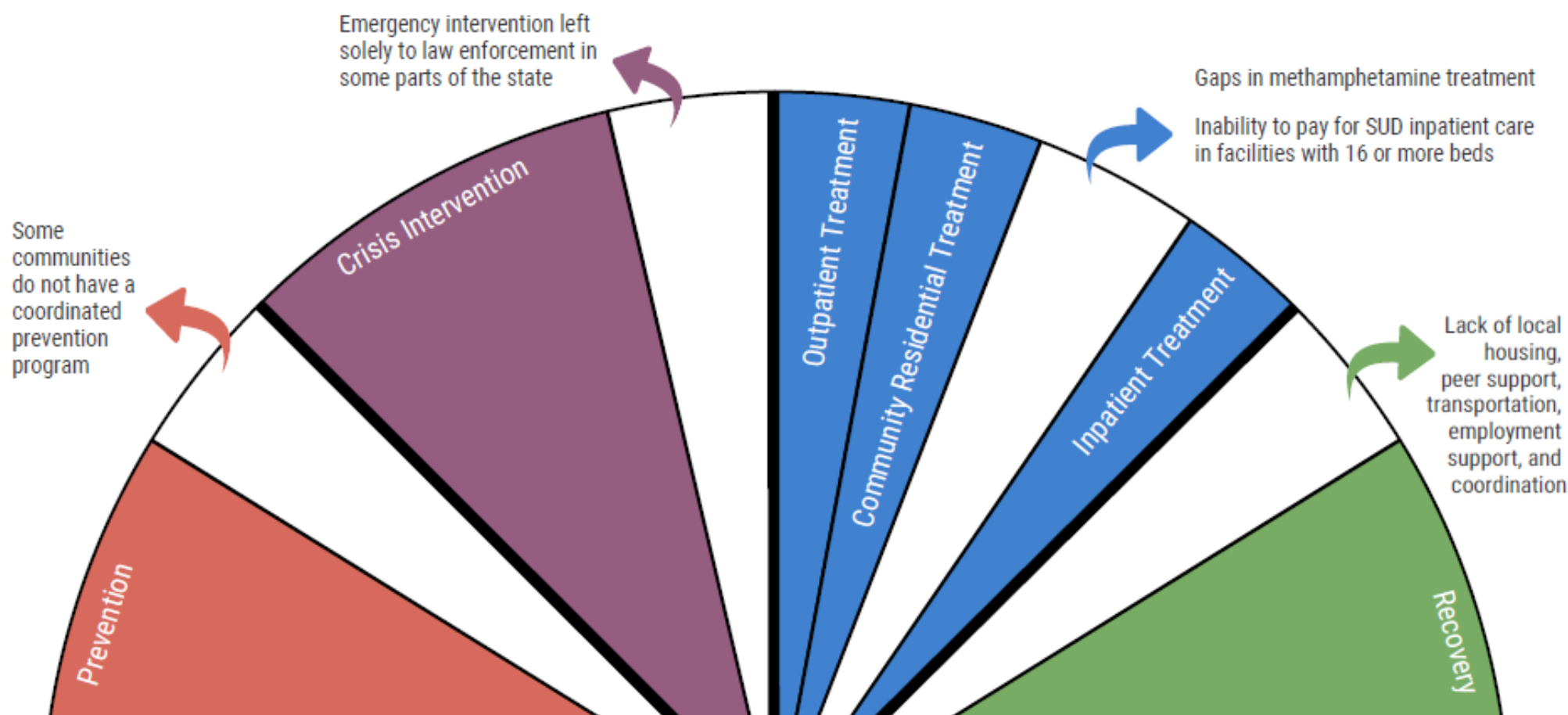




MONTANA SUBSTANCE ABUSE CONTINUUM OF CARE

Current: Before the HEART Fund

This graphic represents Montana's current model of substance use disorder (SUD) and behavioral healthcare. Gaps in the service continuum available to our local communities are represented by the missing segments in the figure below. The following pages illustrate how the Healing and Ending Addiction through Recovery and Treatment (HEART) Fund initiative will fill in the gaps, creating a more complete continuum of care.





MONTANA SUBSTANCE ABUSE CONTINUUM OF CARE

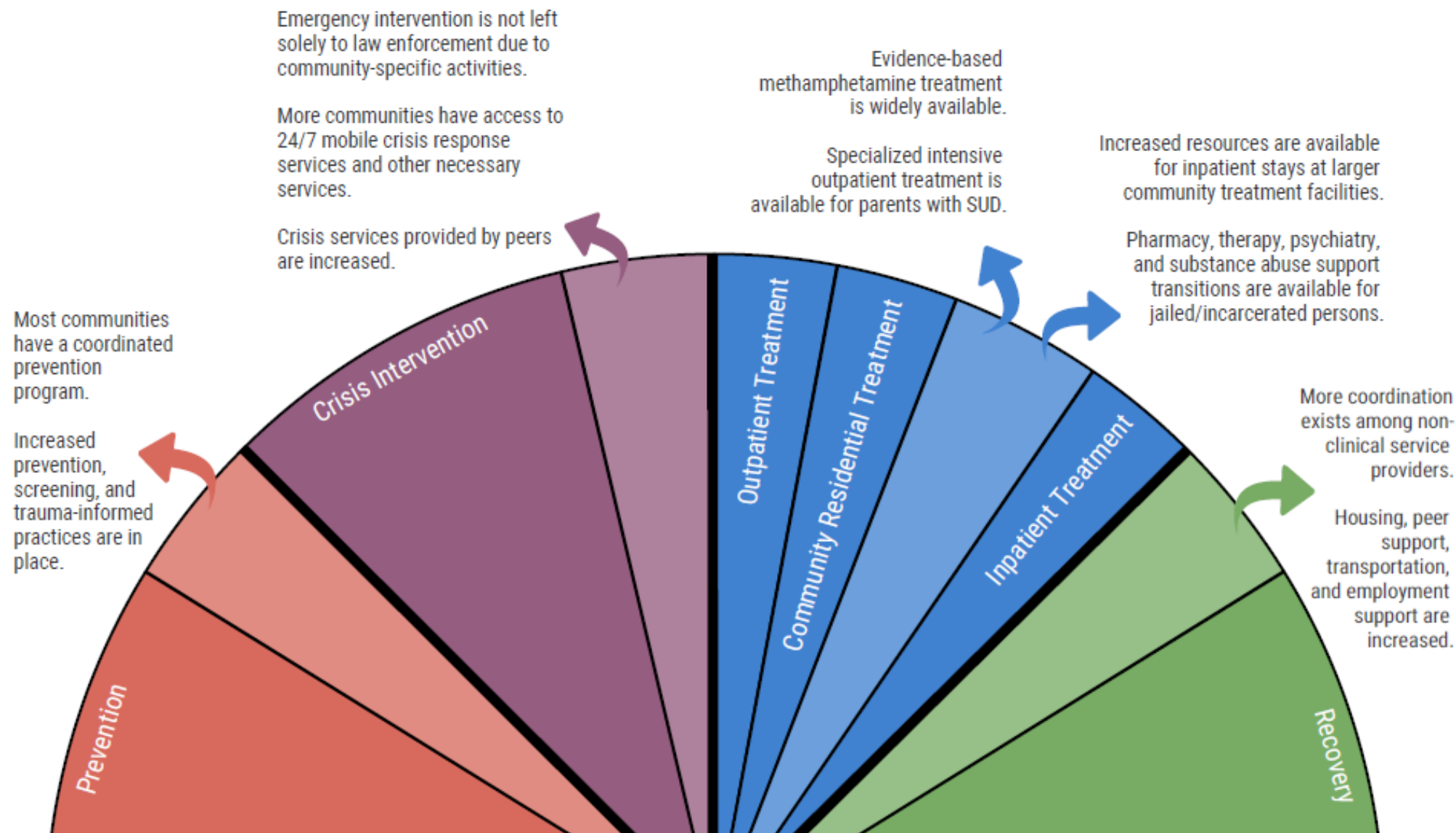
Filling in the gaps through the HEART Fund

Prevention	Crisis Intervention	Treatment	Recovery
<ul style="list-style-type: none">• Resources for community-based prevention are doubled, allowing for stronger local coalitions and more evidence-based prevention practices.• Trauma-informed prevention programs for K-3 statewide.• Targeted prevention for substance-exposed youth.• Universal substance use screening for youth in schools and primary care.• Vaping prevention and cessation for adolescents and young adults.	<ul style="list-style-type: none">• Community-specific activities intended to decrease the strain on law enforcement.• Increased number of communities with 24/7 access to mobile crisis response services.• First responders have additional resources for training and response capacity.• Montanans in crisis have access to services close to home, including regional medical crisis hubs.• Increase in crisis services provided by peers.	<ul style="list-style-type: none">• Tobacco cessation statewide as part of all treatment programs.• Specialized intensive outpatient treatment for parents with SUD.• Evidence-based methamphetamine treatment.• Increased resources for inpatient stays at larger community treatment facilities.• Integrated behavioral health in primary care settings, including emergency rooms.• Pharmacy, therapy, psychiatry, and substance abuse support transitions for jailed/incarcerated persons.	<ul style="list-style-type: none">• Peer support services integrated into additional settings.• Housing, peer support, transportation, and employment support are increased.• Coordination among non-clinical service providers.



MONTANA SUBSTANCE ABUSE CONTINUUM OF CARE

After the HEART Fund



Addressing Montana's Growing Crime Problem

- Violent crime has steadily increased in Montana from 2013 to 2019, **increasing 32%**, and increasing 8.1% in 2019 alone while violent crime decreased nationally.
- Montana now has the highest violent crime rate in the continental northwest.
- Law enforcement identifies meth as a major cause and the HEART Fund will provide substantial resources to help address it.



Addressing Montana's Growing Crime Problem

- Recidivism also drives crime. Changes from Justice Reinvestment increased the number of prisoners released into our communities. Without sufficient supervision, recidivism has grown.
- To address this problem, this budget includes:
 - **14 new probation and parole officers** to handle the increased caseload and to ensure that re-entry services are provided to those being released.
 - **More medical, substance abuse treatment & mental health treatment in prison** to help prisoners succeed in society upon release.
 - **State funding to continue five drug courts** which have reached the end of their federal funding.



Investing in Montana's Teachers

- Montana schools have the lowest starting teacher pay in the country.
- Through the Tomorrow's Educators are Coming Home (TEACH) Act starting in FY2023, this budget provides **\$2.5m every year to encourage school districts to increase starting teacher salaries** by providing additional funds if the salaries are raised closer to the top of the range.



HOLDING THE LINE ON SPENDING



Spending Reductions from Previous Administration's Proposed Budget

- The goal is to make government more **efficient and customer service oriented**.
- This budget includes vacancy savings of 4% across agencies.
- Other than vacancy savings, the Governor will focus on specific programs and efficiencies, including:
 - Agency Directors are being tasked with finding efficiencies and ensuring customer service.
 - Lt. Governor Juras will lead a government-wide regulatory review through the Red Tape Relief Advisory Council.



Spending Reductions from Previous Administration's Proposed Budget

- Removing new spending for Auto IRA Plan
- Slowing growth in the Montana University System, Department of Corrections, Department of Revenue, and the Office of Public Defender
- Reducing general fund increases in programs funded by decreasing coal funds
- Removing new spending for early childhood education
- Reducing duplicated training grants for trades
- Finding prescription drug efficiencies
- Reducing annual overfunding of judicial pension fund
- Funding Sage Grouse program with state fees and federal funds



Growth/Inflation Rates

Rates of Growth in Previous Administration Budget					
<u>Item</u>	<u>FY 22</u>	<u>FY 23</u>	<u>Combined Growth</u>	<u>Statutory Inflator</u>	<u>Amount (Millions \$)</u>
Provider Rates	0.00%	0.00%	0.00%	No	0
Pay Plan	0.00%	1.66%	1.66%	No	7.5
Entitlement Share	1.45%	3.28%	4.73%	Yes	8.8
K-12 BASE Aid	2.16%	1.91%	4.07%	Yes	71.0
MUS PL Adjustment	3.30%	3.30%	6.60%	No	18.8
CPI - U	2.60%	2.45%	5.05%	N/A	N/A

One-Time Funds

- One-time funds include:
 - Correcting overfunding of health care plans, pensions, and accounts
 - Using excess medical marijuana funds to pay Department of Revenue start up costs to implement the recreational marijuana initiative
 - Placing more of the K-12 base aid increase in the second year of the biennium



COVID-19 Funds

- Fast-tracked legislative action is needed on HB 3 to allow for expenditure of federal funds coming from the newly passed COVID federal legislation



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